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Mexico

Citrus

Overall Citrus Production Down for MY 1999/2000

1999

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Report Highlights:
Mexican citrus production is forecast to be down for MY 1999/2000 due to the dry weather that prevailed during the period of blossom set and heavy rains during the harvest season. The MY 1998 citrus production estimates have been reduced compared to MY 1997 citrus production, due to the effects of the dry weather during the first semester of 1998. FCOJ production, therefore, is forecast to be low due to reduced fresh orange supplies.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Mexico [MX1], MX

SECTION I. SITUATION AND OUTLOOK

The Economy

The outlook for the Mexican economy has brightened in recent months. This optimism is based on a major rebound in world oil prices, the Government of Mexico's (GOM) conservative fiscal policy, and continued improvement in Russia, Asia, and Brazil.

Mexico's exports increased 6.6 percent during the first quarter of 1999 compared to the same period last year, and the trade deficit for the quarter decreased by 31.3 percent. Higher oil prices and a more robust U.S. economy are the primary reasons for these improvements. Imports, on the other hand, have only increased 4.4 percent during the first quarter of the year, largely because of the economic slowdown that began during the last quarter of 1998. After posting a US$7.7 billion trade deficit last year, projections for 1999 call for a deficit ranging from US$6 to US$7 billion. The current account deficit for 1999 is projected to be approximately US$13 billion, a figure that would constitute a manageable 2.8 percent of GDP.

Higher oil prices have increased analysts' confidence in the government's fiscal target. The current average price of Mexican crude is much higher than the US$9.25 per barrel used to draft the first 1999 budget. Nevertheless, despite the fact that the price of oil has climbed throughout the year, its highly unlikely that the GOM will obtain its beginning of the year deficit target of 1.25 percent of GDP; the revised projection is 2.8 percent. Current forecasts project an average price of around US$15.50 per barrel of Mexican crude for the year. The GOM has forecast inflation at 13 percent, while private sources set the inflation rate at 14 percent.

These reasons for optimism notwithstanding, it's important to keep in mind that the Mexican market tends to overreact to good or bad news, so that Mexico is now experiencing the positive side of that instability. The fundamentals of the economy, however, have not changed dramatically over the last few months, only the expectations. Thus, there is no guarantee that the short-term optimism will continue in the medium term. A deterioration of the trade accounts due to the overvalued peso could be the event that reverses the current optimism. Likewise, longer-term expectations will be affected by the country's political situation.

Furthermore, although the worst of the crises in Asia and Brazil seem to be over, those economies are not completely out of the woods yet and unexpected events from them could still cause some turmoil. Along similar lines, if the speculative bubble of the U.S. stock market bursts, financial markets of all emerging markets would also tumble.

Citrus Situation and Outlook

The overall forecast of Mexican citrus production for MY 1999/2000 is expected to be below average because of drier than normal weather during the first semester of 1999 that affected some producing areas, followed by heavy rains in the fall that damaged production in other areas. According to recent government estimates there could be

approximately 18,500 hectares of citrus damaged in Veracruz, from a total of 151,000 hectares planted for all citrus. The fresh orange production forecast for MY 2000 is 3.0 million metric tons (MMT), very close to MY 1999 production estimates. This lower than average production is expected reduce FCOJ production and exports. Production is not expected to expand in the next three to five years because increasing production costs and very little credit available. Domestic citrus consumption is also forecast to be down for MY 1999 due to both limited supplies and high prices.

SECTION II. STATISTICAL TABLES

FRESH ORANGE PRODUCTION TABLE

(Hectares) (1,000 Trees) (1,000 MT)

PSD Table						
Country	**Mexico**					
Commodity	**Fresh Oranges**					
	Revised 1997		Preliminary 1999		Forecast 2000	
	Old	New	Old	New	Old	New
Market Year Begin	11/1997		11/1998		11/1999	
Area Planted	317000	330180	321000	331000	0	332000
Area Harvested	310000	305750	300000	306000	0	307000
Bearing Trees	62620	61760	60600	61810	0	62000
Non-Bearing Trees	1818	4930	4245	5050	0	5050
TOTAL No. Of Trees	64438	66690	64845	66860	0	67050
Production	3920	3331	2950	2950	0	3000
Imports	20	20	20	21	0	22
TOTAL SUPPLY	3940	**3351**	2970	**2971**	0	**3022**
Exports	9	9	9	50	0	9
Fresh Dom. Consumption	3261	2642	2571	2551	0	2653
Processing	670	700	390	370	0	360
TOTAL DISTRIBUTION	3940	**3351**	2970	**2971**	0	**3022**

FRESH CITRUS, OTHER

(Hectares) (1,000 Trees) (1,000 MT)

PSD Table						
Country	**Mexico**					
Commodity	**Fresh Citrus,Other**					
	Revised1997		Preliminary1998		Forecast1999	
	Old	New	Old	New	Old	New
Market Year Begin	11/1997		11/1998		11/1999	
Area Planted	108500	119495	109000	120500	0	122000
Area Harvested	97000	104480	97000	106000	0	107000
Bearing Trees	18820	20270	18820	20564	0	20758
Non-Bearing Trees	2230	2912	2330	2813	0	2910
TOTAL No. Of Trees	21050	23182	21150	23377	0	23668
Production	970	1171	960	1100	0	1120
Imports	3	1	3	1	0	1
TOTAL SUPPLY	973	**1172**	963	**1101**	0	**1121**
Exports	135	216	140	200	0	200
Fresh Dom. Consumption	693	720	679	676	0	693
Processing	145	236	144	225	0	228
TOTAL DISTRIBUTION	973	**1172**	963	**1101**	0	**1121**

FRESH TANGERINES

(Hectares) (1,000 Trees) (1,000 MT)

PSD Table						
Country	**Mexico**					
Commodity	**Fresh Tangerines**					
	Revised1997		Preliminary1998		Forecast1999	
	Old	New	Old	New	Old	New
Market Year Begin	11/1997		11/1998		11/1999	
Area Planted	19300	26640	19300	26640	0	26645
Area Harvested	19000	24273	19100	24200	0	24200
Bearing Trees	3876	4951	3896	4936	0	4936
Non-Bearing Trees	60	483	40	497	0	494
TOTAL No. Of Trees	3936	5434	3936	5433	0	5430
Production	275	295	190	260	0	250
Imports	0	0	0	0	0	0
TOTAL SUPPLY	275	**295**	190	**260**	0	**250**
Exports	3	3	2	1	0	1
Fresh Dom. Consumption	245	263	169	233	0	225
Processing	27	29	19	26	0	24
TOTAL DISTRIBUTION	275	**295**	190	**260**	0	**250**

FRESH GRAPEFRUIT

(Hectares) (1,000 Trees) (1,000 MT)

PSD Table						
Country	**Mexico**					
Commodity	**Fresh Grapefruit**					
	Revised1997		Preliminary1998		Forecast1999	
	Old	New	Old	New	Old	New
Market Year Begin	11/1997		11/1998		11/1999	
Area Planted	11600	11508	11700	12000	0	12500
Area Harvested	9900	9590	9900	9600	0	9700
Bearing Trees	1861	1803	1861	1804	0	1823
Non-Bearing Trees	320	359	338	451	0	526
TOTAL No. Of Trees	2181	2162	2199	2255	0	2349
Production	235	168	180	165	0	160
Imports	1	1	1	1	0	1
TOTAL SUPPLY	236	**169**	181	**166**	0	**161**
Exports	2	3	2	3	0	3
Fresh Dom. Consumption	199	141	154	139	0	134
Processing	35	25	25	24	0	24
TOTAL DISTRIBUTION	236	**169**	181	**166**	0	**161**

FROZEN CONCENTRATE ORANGE JUICE

(MT)

PSD Table						
Country	**Mexico**					
Commodity	**Juice, Orange**			65 Degrees Brix		
	Revised 1998		Preliminary 1999		Forecast 2000	
	Old	New	Old	New	Old	New
Market Year Begin	01/1998		01/1999		01/2000	
Deliv. To Processors	670000	700000	390000	370000	0	360000
Beginning Stocks	3000	3000	3000	5900	0	3000
Production	67000	70000	38000	37000	0	36000
Imports	1	1	1	1	0	1
TOTAL SUPPLY	70001	**73001**	41001	**42901**	0	**39001**
Exports	63509	64001	35000	36751	0	32851
Domestic Consumption	3492	3100	3001	3150	0	3150
Ending Stocks	3000	5900	3000	3000	0	3000
TOTAL DISTRIBUTION	70001	**73001**	41001	**42901**	0	**39001**

Trade Matrixes for 1998

ORANGES		UNITS: ***METRIC TONS***	
EXPORTS FOR 1998 TO:		**IMPORTS FOR 1998 FROM:**	
U.S.	7594	U.S.	20259
OTHER		OTHER	
ARGENTINA	1179	CANADA	0
TOTAL OF OTHER	1179	TOTAL OF OTHER	0
OTHERS NOT LISTED	148	OTHERS NOT LISTED	0
GRAND TOTAL	8921	GRAND TOTAL	20259

KEY LIME & PERSIAN LIME		UNITS: ***METRIC TONS***	
EXPORTS FOR 1998 TO:		**IMPORTS FOR 1998 FROM:**	
U.S.	201,790	U.S.	1,206
OTHER		OTHER	
FRANCE	3,666		0
TOTAL OF OTHER	3,666	TOTAL OF OTHER	0
OTHERS NOT LISTED	13,090	OTHERS NOT LISTED	0
GRAND TOTAL	218,546	GRAND TOTAL	1,206

TANGERINE & MANDARINES		UNITS: ***METRIC TONS***	
EXPORTS FOR 1998 TO:		**IMPORTS FOR 1998 FROM:**	
U.S.	2,903	U.S.	504
OTHER		OTHER	
GUATEMALA	383		0
TOTAL OF OTHER	383	TOTAL OF OTHER	0
OTHERS NOT LISTED		OTHERS NOT LISTED	0
GRAND TOTAL	3,350	GRAND TOTAL	504

GRAPEFRUIT		UNITS: ***METRIC TONS***	
EXPORTS FOR 1998 TO:		**IMPORTS FOR 1998 FROM:**	
U.S.	48	U.S.	1,460
OTHER		OTHER	
BELGIUM	2,492		0
TOTAL OF OTHER	2,492	TOTAL OF OTHER	0
OTHERS NOT LISTED	858	OTHERS NOT LISTED	0
GRAND TOTAL	3,398	GRAND TOTAL	1,460

SOURCE: Secretary of Commerce and Industrial Development (SECOFI)

FROZEN CONCENTRATE ORANGE JUICE HTS 2009.11.01		UNITS: ***KILOGRAMS* & LITERS*****	
EXPORTS FOR 1998 TO:		**IMPORTS FOR 1998 FROM:**	
U.S.	37,568,309*	U.S.	333,114**
OTHER		OTHER	
FRANCE	4,955,600*	BRAZIL	487**
TOTAL OF OTHER	4,955,,600*	TOTAL OF OTHER	487**
OTHERS NOT LISTED	17,394,777*	OTHERS NOT LISTED	0**
GRAND TOTAL	59,918,686*	GRAND TOTAL	333,601**

ORANGE JUICE NOT FROZEN HTS. 2009.19.01		UNITS: ***KILOGRAMS* & LITERS*****	
EXPORTS FOR 1998 TO:		**IMPORTS FOR 1998 FROM:**	
U.S.	17,442,409*	U.S.	1,499,736**
OTHER		OTHER	
COLOMBIA	517,017*	THAILAND	0**
TOTAL OF OTHER	517,017*	TOTAL OF OTHER	0**
OTHERS NOT LISTED	1,809,140*	OTHERS NOT LISTED	643**
GRAND TOTAL	19,768,566*	GRAND TOTAL	1,500,379**

SOURCE: Global Trade Information Services, Inc.

Trade Matrixes for 1999

ORANGES		UNITS: ***METRIC TONS***	
EXPORTS FOR 1999* TO:		**IMPORTS FOR 1999* FROM:**	
U.S.	45,829	U.S.	10,336
OTHER		OTHER	
ARGENTINA	385		0
TOTAL OF OTHER	385	TOTAL OF OTHER	0
OTHERS NOT LISTED	511	OTHERS NOT LISTED	0
GRAND TOTAL	46,725	GRAND TOTAL	10,336

* As of July 1999.

KEY LIME & PERSIAN LIME		UNITS: ***METRIC TONS***	
EXPORTS FOR 1999* TO:		**IMPORTS FOR 1999* FROM:**	
U.S.	109,986	U.S.	1,005
OTHER		OTHER	
FRANCE	1,466		0
TOTAL OF OTHER	1,466	TOTAL OF OTHER	0
OTHERS NOT LISTED	5,319	OTHERS NOT LISTED	0
GRAND TOTAL	116,771	GRAND TOTAL	1,005

* As of July 1999.

TANGERINE & MANDARINES		UNITS: ***METRIC TONS***	
EXPORTS FOR 1999* TO:		**IMPORTS FOR 1999* FROM:**	
U.S.	329	U.S.	156
OTHER		OTHER	
CZECH REPUBLIC	22		0
TOTAL OF OTHER	22	TOTAL OF OTHER	0
OTHERS NOT LISTED	1	OTHERS NOT LISTED	0
GRAND TOTAL	352	GRAND TOTAL	156

* As of July 1999.

GRAPEFRUIT		UNITS: ***METRIC TONS***	
EXPORTS FOR 1999* TO:		**IMPORTS FOR 1999* FROM:**	
U.S.	21	U.S.	418
OTHER		OTHER	
NETHERLANDS	1		0
TOTAL OF OTHER	1	TOTAL OF OTHER	0
OTHERS NOT LISTED	2	OTHERS NOT LISTED	0
GRAND TOTAL	24	GRAND TOTAL	418

* As of July 1999.

FROZEN CONCENTRATE ORANGE JUICE HTS. 2009.11.01		UNITS: ***KILOGRAMS* & LITERS*****	
EXPORTS FOR 1999[A] TO:		**IMPORTS FOR 1999[A]** FROM:	
U.S.	18,471,908*	U.S.	319,216**
OTHER		OTHER	
DOMINICAN REP.	2,046,283*	BRAZIL	54,372**
TOTAL OF OTHER	2,046,283*	TOTAL OF OTHER	54,372**
OTHERS NOT LISTED	0*	OTHERS NOT LISTED	0**
GRAND TOTAL	22,399,121*	GRAND TOTAL	373,588**

[A] As of July 1999.

ORANGE JUICE NOT FROZEN HTS. 2009.19.01		UNITS: ***KILOGRAMS* & LITERS*****	
EXPORTS FOR 1999[A] TO:		**IMPORTS FOR 1999[A]** FROM:	
U.S.	10,800,777*	U.S.	1,618,665**
OTHER		OTHER	
ISRAEL	543,279*		0**
TOTAL OF OTHER	543,279*	TOTAL OF OTHER	0**
OTHERS NOT LISTED	0*	OTHERS NOT LISTED	0**
GRAND TOTAL	12,341,092*	GRAND TOTAL	1,618,665**

SOURCE: Global Trade Information Services, Inc.

[A] As of July 1999.

Orange Prices

WHOLESALE ORANGE PRICES			
Month	**1998**	**1999**	**Change %**
January	**0.94**	**1.37**	**45.7**
February	**0.90**	**1.15 ***	**27.8**
March	**0.95**	**1.35 ***	**42.1**
April	**1.03**	**1.95 ***	**89.3**
May	**1.41**	**1.80 ***	**27.7**
June	**2.74**	**3.09**	**12.8**
July	**2.93**	**2.98**	**1.7**
August	**2.97**	**3.20**	**7.7**
September	**2.75**	**2.74**	**(0.4)**
October	**2.33**	**2.15**	**(7.7)**
November	**1.52**	**N/A**	**N/A**
December	**1.45**	**N/A**	**N/A**
*** Variety: "Late" variety Small Size (Tardía chica)**			

SOURCE: SERVICIO NACIONAL DE INFORMACION DE MERCADOS
EXCHANGE RATE FOR (NOVEMBER 1998) USD$1.00 = 10.10
EXCHANGE RATE (OCTOBER 1999) US$1.00 = $ 9.70 PESOS

Persian Lime Prices

PERSIAN LIME WHOLESALE PRICES (PESOS/KG)			
Month	**1998**	**1999**	**Change %**
January	**1.74**	**2.17**	**24.7**
February	**1.62**	**3.76**	**132.1**
March	**1.67**	**N/A**	**N/A**
April	**1.88**	**4.00**	**112.8**
May	**1.21**	**2.80**	**131.4**
June	**0.93**	**1.01**	**8.6**
July	**0.81**	**0.91**	**12.3**
August	**0.80**	**0.91**	**13.7**
September	**1.26**	**1.26**	**0**
October	**1.08**	**1.70**	**57.4**
November	**0.93**	**N/A**	**N/A**
December	**1.19**	**N/A**	**N/A**

SOURCE: SERVICIO NACIONAL DE INFORMACION DE MERCADOS
EXCHANGE RATE FOR (NOVEMBER 1998) USD$1.00 = 10.10
EXCHANGE RATE (OCTOBER 1999) US$1.00 = $ 9.70 PESOS

Key Lime Prices

KEY LIME WHOLESALE PRICES (PESOS/KG)			
Month	**1998**	**1999**	**Change %**
January	**3.87**	**6.30**	**62.8**
February	**3.68**	**7.60**	**106.5**
March	**2.61**	**2.63**	**0.8**
April	**2.85**	**2.50**	**(12.3)**
May	**2.67**	**1.94**	**(27.3)**
June	**2.36**	**2.64**	**11.9**
July	**2.39**	**2.50**	**4.6**
August	**2.61**	**2.60**	**(0.4)**
September	**3.03**	**2.55**	**(15.8)**
October	**2.39**	**3.02**	**26.4**
November	**2.68**	**N/A**	**N/A**
December	**3.85**	**N/A**	**N/A**

SOURCE: SERVICIO NACIONAL DE INFORMACION DE MERCADOS
EXCHANGE RATE FOR (NOVEMBER 1998) USD$1.00 = 10.10
EXCHANGE RATE (OCTOBER 1999) US$1.00 = $ 9.70 PESOS

SECTION III. NARRATIVE ON SUPPLY & DEMAND, POLICY & MARKETING

FRESH ORANGES

PRODUCTION

The fresh orange production forecast for marketing year 1999/2000 (November-October) is 3.0 MMT. Producers had first estimated that MY 1999 orange production would be larger than the previous crop despite the dry weather experienced in the states of Tamaulipas, Veracruz, Nuevo Leon, and San Luis Potosi during the first semester of 1999. But, due to the floods and heavy rain problems that occurred during October in some citrus areas, orange production is forecast lower than average for a second year. For example, Nuevo Leon and some areas in Veracruz will have less late Valencia oranges because the dry weather damaged the first blooms. Producers indicated, however, that better weather during the second and third blooms (January and May) could bring higher than normal production. The impact of the late-October floods is not fully known at this time and thus could be further down. According to recent government estimates, approximately 18,500 hectares of citrus may have been damaged in Veracruz from a total of 151,000 hectares (oranges, tangerines grapefruit and limes), in Alamo, Martinez de la Torre, Gutierrez Zamora and Tuxpan mainly. Ready to harvest oranges were lost in several groves, or could not be transported to market due to damaged roads and bridges. The MY 1999 forecast for oranges destined to processing is 360,000 MT, slightly lower compared to MY 1998 because of an expected lower orange supply.

The fresh orange production estimate for MY 1998 remains unchanged at 2.9 MMT based on recent private and official data. Some industry sources, however, stated that production might be 15 percent less than that estimate. This estimate is still reflecting the dry weather conditions that prevailed during 1998. Production for MY 1997 has been revised downward based on final official data from the Secretariat of Agriculture, Livestock and Rural Development (SAGAR). The estimate for oranges destined to processing for MY 1998 has been revised downward, and MY 1997 data for oranges for processing has been revised upward based on available industry information.

Area planted for oranges is forecast at 332,000 hectares for MY 1999 a very slight increase over MY 1998 area planted. This forecast, however, as well as MY 1997 and MY 1998 upward revisions are based on recent official estimates. According to growers, area planted has been increasing slowly due to fluctuating prices. The increase, however, has been at different rates depending of the region. In fact, some expansions in Veracruz have been almost offset by growers that abandon groves due to high costs of production, or because of a switch to other citrus. In Alamo, for example, orange plantings have increased, while in Martinez de la Torre, producers are switching to Persian limes production. Meanwhile, the processing industry, which buys most of the product in the market, has now begun to plant its own groves to enure a certain supply. The rate of expansion of orange groves in other areas of the country has also been slow. In Veracruz, which accounts for approximately 45 percent of the country's total planted area, is about 90 percent non-irrigated, whereas Nuevo Leon, with 8 percent of the total area planted in Mexico, is about 85 percent irrigated by well water. The cost of production is higher in Nuevo Leon than in Veracruz because of irrigation costs.

Other producer states, like Nuevo Leon, have about 24,500 hectares of oranges with almost no new plantings. And also because of limited water available for new irrigated area. Groves have been replanted with new early-maturing

Valencia trees at higher densities, ranging from 163 to 300 trees per hectare (average density in Veracruz is 200 trees per hectare). The higher density is an effort to help prevent frost damage. Most of the oranges of this region are grown for the fresh market because of the good quality. For MY 1999, production in Nuevo Leon is expected to be approximately 200,000 MT, still down from the average of 360,000 MT due to the drier than normal weather conditions that prevailed during the first semester of 1999. Most of the plantings of orange trees (about 42,000 has.) in the states of Tabasco, Campeche and Yucatan are in *ejidos* (communal farms) and are relatively new compared to Veracruz. The quality, however, is still not very good and most of the crop goes mainly to the fresh market. Area planted and harvested for MY 1998 has been revised upward based on recent official information. This data, however, shows a drop of acreage compared to MY 1997 official data, which most likely reflects a switch from oranges to other citrus. Area planted for MY 1997 has been revised upward, and area harvested has been revised downward, based on final official information.

Costs of production for 1999 have increased for all citrus, especially for imported inputs, such as fertilizers which increased about 22 percent, and for pesticides and other agrochemical products which have increased at the rate of inflation. Production costs vary among the citrus regions and between producers. The average cost of production in some areas in Veracruz for a traditional grove with little intensive cultivation is approximately $4,875 pesos/Ha (US$502/Ha), and the average for a more intensively farmed grove is about 10,920 pesos/Ha (US$1,125/Ha). Fertilization and pest control makes much of the difference between these costs of production. Average field worker wages have increased to about 30 pesos (US$3.20) per day, but sometimes producers have to pay up to 35 pesos (US$3.70) per day to attract enough workers. Growers also indicate that lack of credit availability, the high cost of production, coupled with wide swings in fresh orange prices and marketing problems, have limited the planting of new trees.

Country-wide orange yields in MY 1999 are forecast at 9.8 MT/Ha due to the dry weather conditions on one hand and the flooded areas on the other. Yields, however, could be lower depending on the damage to the citrus areas. Orange yields differ widely depending on the production area. Usually, Veracruz yields range from 11 to 20 MT/Ha. In Nuevo Leon, yields range from 12 to 15 MT/Ha. In San Luis Potosi, yields range from 7 to 13 MT/Ha. This variance in yields is caused by many factors such as weather, input levels, tree density and terrain.

Grower prices at the farm gate for MY 1999 began in October at approximately 600 to 650 pesos/MT (US$61.85 to 67.00/MT) for the early varieties, but due to flood problems in Veracruz prices could jump to approximately 700 to 1,000 pesos/MT (US$72.16 to 113/MT). Price increases are also expected because the juice industry has begun to buy fruit. Transportation costs to Mexico City are usually 2,500 to 3,000 pesos per 10 MT (US$257.70 to 309.27 per 10 MT), delivering in one day. Due to current transportation problems, the and delivery times have increased in several states. In Veracruz, for example, transportation costs rose up to 8,000 pesos per 10 MT an it took more than 3 days to deliver. As soon as the roads are back to normal condition, transportation costs are expected to go back to normal.

In May 1999, SAGAR published an emergency regulation, NOM-EM-032-FITO-1999, that establishes the phytosanitary requirements and specifications to produce and market virus free citrus propagative material (See report MX 9062). As is the case with most emergency regulations, it expired after six-months (November 1999). If past history is any indication, however, its likely that it will become a permanent regulation in the near future.

CONSUMPTION

The fresh orange consumption forecast for MY 1999 is 2.6 MMT, or a 4 percent increase over MY 1998 consumption. Final consumption estimates, however, will depend on the final volume purchased by the industry and the fruit loss due to the heavy rains in Veracruz. The consumer purchasing power has been recuperating slowly, however, expected higher prices for oranges could decrease demand. Consumption estimates for MY 1997 and MY 1998 have been revised downward based on newly available information.

Wholesale orange prices increased during 1999 compared to 1998 prices as a result of lower supplies. For example, during the first four months of 1998, prices averaged 1.00 peso per kilogram, while the first four months of 1999 the average rose to 1.45 pesos per kilogram. For the new crop, however, orange prices are expected to remain high because of lower supplies. During the first two weeks of October, wholesale price of new-crop Valencia oranges from Veracruz averaged 3.00 pesos/Kg,, an increase of 57 percent compared to the same period in 1998. During October 1999, retail Valencia orange prices averaged 5.50 - 6.50 pesos/Kg (US$0.56 - $0.67 /Kg). These prices, however, reflect higher shipment costs due to the floods and transportation problems in Veracruz. Most of the oranges in the fresh market are destined for domestic fresh squeezed juice.

TRADE

Mexican orange exports are forecast at a more normal volume of 9,000 MT compared to the large volume of 50,000 MT estimated for MY 1998. The MY 1998 export estimate increased tremendously because the low citrus production in California created an opportunity for larger Mexican exports then. But since that opportunity is no more, MY 1999 orange exports are forecast at a volume closer to previous seasons. Orange import and export estimates for MY 1997 remain unchanged. Most of the oranges exported to the U.S. are from Sonora, which produces very good quality oranges. Mexico will continue to export processed oranges as peeled slices for fruit salads and other foods. According to sources, the international market is demanding more peeled fruit. The United States continues to be the largest export market for Mexican oranges. Mexican exporters keep exploring Asian markets, such as Hong Kong and Japan. The fine quality of the oranges produced in the Sonora desert (about 150,000 MT) are suitable for these markets because the shipments come from the Sonora fruit fly free zone.

Mexico could also have access to other markets because the certification of the forced hot air chamber in Montemorelos, Nuevo Leon has been approved by APHIS. Exporters who decide to switch from methyl bromide treatment to using forced hot air chamber will be able to export to the United States as well as other countries using this new technology in quarantine treatments. The hot forced air treatment was authorized for tangerines, oranges and grapefruit.

Mexican orange imports are growing slowly. U.S. orange exports to Mexico could expand significantly given the decrease in the Mexican tariff and the possibilities for California, Texas and Arizona to ship to Mexico. The import forecast for MY 1999 is 22,000 MT. The orange import estimates for MY 1998 has been revised upward to 21,000 MT based on recent trade data.

MARKETING

There are three major wholesale markets or *Centrales de Abastos* in the country which handle 80 percent of the total citrus fruits sold. Mexico City's Central Market handles 40 percent of the sales. The two other largest markets are located in Guadalajara and Monterrey. Mexico's distribution system is unique in its mix between traditional distribution methods (central market purchasing and delivery) and more sophisticated methods (large regional and national distributors).

Distributors/importers are the key to the success of any imported product since only some of the major retail and few of the major food service chains import directly. For any U.S. company entering Mexico, it is important to have someone, an agent or reliable distributor, who can maintain regular contact with buyers, interface with the government and handle the required paperwork, and ensure that service is maintained.

For fresh and horticultural products, including citrus fruits, each city has a central wholesale market known as the *Central de Abastos*. Virtually all of Mexico's horticultural and fruit production and imports move through these markets. The products are sold by box. Typical buyers in this area are large supermarket chains, street markets, hotels and restaurants.

U.S. citrus fruit exporters should be aware of the fact that the Mexican market is more price sensitive than quality sensitive. This is one of the main reasons for limited exports of U.S. citrus products. Despite the excellent quality, prices are 4 to 5 times higher than Mexican products. Some attempts have been made by U.S. firms to enter the market, but they have had limited success because of strategies emphasizing quality rather than price. Another limitation for U.S. citrus exports to Mexico are the phytosanitary restrictions. Only citrus fruits coming from the states of California, and just recently Texas and Arizona are authorized by the Mexican government to enter the country having an International Phytosanitary Certificate indicating that the products were grown in fruit fly free areas. Negotiations are still underway for Florida Citrus.

FRESH CITRUS, OTHER

PRODUCTION

This section covers two citrus fruits that are of economic significance to Mexico: Key limes and Persian limes. Mexican Key limes are grown mainly on the Pacific coast, in the states of Colima, Michoacan, Guerrero and Oaxaca. Most Persian limes are grown in a micro-climate called "*La Huasteca*" that includes portions of the states of Veracruz, San Luis Potosi, Tamaulipas, and Hidalgo. Also, Oaxaca and Tabasco in the southern part of Mexico are producing Persian limes.

Total production of both limes for MY 1999 is forecast at 1,120,000 MT, slightly higher than MY 1998 production, but still reflecting for a second year, the dry weather conditions that prevailed in Mexico during the first semester of 1999, resulting in some flower drop and subsequent lower yields. Veracruz production of Persian limes was somewhat affected by the dry weather conditions, but not at the same magnitude that oranges were affected. On the

other hand, Key limes from Michoacan and Colima had almost normal rain and cold weather that had little negative impact on production. Production data for MY 1998 has been revised upward based on recent official estimates, but still reflecting the effects of the dry weather during 1998. The production estimate for MY 1997 has been revised upward to reflect final official data.

Area planted to both Persian and Key limes has increased at a low rate. Due to the export benefits of Persian limes, area for this fruit has grown at a faster rate in Veracruz. Some Veracruz producers have replanted Persian limes instead of oranges or grapefruit because of the favorable international prices. These areas, however, are still small. New trees are coming into production in Veracruz, Michoacan and Oaxaca. Due to the excellent winter window for Key limes for the domestic market, area for this citrus is expanding in Michoacan. According to producers, however, the domestic market is saturated and therefore a sharp increase in the area planted would only result in lower producer profits. Total area planted for MY 1999 is forecast at 122,000 hectares. Area planted and harvested for MY 1997 and MY 1998 has been revised upward based on recent official data. About 20 percent of the Persian lime groves in Veracruz use micro-jet irrigation or other systems and produce all year round. Michoacan and Colima have irrigation in most of the Key lime groves and thus are able to produce all year round. Almost all the planted area for Key lime in Guerrero and Oaxaca is non-irrigated. In Colima, in over half of the key lime groves, coconut palm trees are planted in between Key lime trees. The purpose of this inter-planting is to increase producer revenue.

The cost of production for Persian limes in Veracruz oriented for export purposes is higher than for oranges. Therefore, only large strong producers tend to be in this business. According to sources, Persian limes production costs average from 8,000 pesos/Ha to 09,500 pesos/Ha (US$824.74 to $980/Ha) or more due to higher prices for imported inputs such as fertilizers, pesticides and other agrochemical products. Growers indicate that smaller producers, who do not meet international standards, will eventually return to oranges again. Transportation costs from Veracruz to Mexico City are usually 3,500 to 4,000 pesos per truck (US$360.82 to 412.37 per truck), delivering in approximately 8 hours. Due to transportation problems in October, these costs have increased up to 8,000 pesos per truck in Veracruz and it took about a day or two to deliver.

The cost of production for Key Limes vary according to the cultural practices and technology used. In the most important Key lime producer states, Oaxaca, Colima and Michoacan cost of production can vary from 7,000 pesos/Ha to 12,000 pesos/Ha (US$721.64 to $1,237.11/Ha).

Persian and Key lime yields differ widely depending on the production conditions. The yields for Persian limes in Veracruz range from 5 to 12 MT/Ha., depending on cultural practices, there are groves that can produce as much as 18 MT/Ha, while Key lime yields range from 7 to 12 MT/Ha. A few well tended groves will reach 30 MT/Ha. Some Key limes in Colima are interplanted with coconut palm. Thus, yields are generally 50 percent less than in conventional groves.

Grower prices for Persian limes range from 400 to 1,000 pesos/MT, but prices tend to rise during January to April, ranging from 2,000 to 7,000 pesos/MT due to the export demand during that period. Grower prices for Key limes fluctuate more than Persian limes depending on the season and the state where limes come from. In October, Key limes from Colima were 1,500 pesos/MT because it was almost the end of the season. Key limes from Michoacan were in the same month 2,500 pesos/MT, because of the cold season. Michoacan is geared toward the winter season (October/February), and Colima, Oaxaca and other states cover the rest of the year. There is, however, year-round production for both products.

CONSUMPTION

Domestic consumption of both Key and Persian limes in Mexico depend largely on price. Total lime consumption for MY 1999 is forecast at 693,000 MT, or 2.5 percent more than MY 1998 consumption. Some fruit, mainly Persian limes, that will not comply with the required export quality due to the rains and floods, will be consumed domestically. The consumption estimate for MY 1998 has been revised downward because of larger exported volumes. Consumption data for MY 1997 has been revised upward based on newly available information.

Most of the Mexican Key limes go to the fresh market, although exports have been increasing recently. Producers from Colima and Michoacan indicate that approximately 35 to 40 percent of their limes go to processors. In general, approximately 18 to 23 percent of total Key lime production goes to processing. About 60 to 70 percent of Persian limes from Veracruz go to the export market and the rest goes to the fresh market. This balance, however, depends on the U.S. demand. Data for limes for processing have been revised upward for MY 1997 and 1998 based on private sources. Official information, however, is unavailable.

Mexican Key limes and Persian limes compete for the same market. When Key limes and Persian limes are both present in the domestic market, prices are relatively low. At the onset of the Persian lime harvest season (August or September), prices for both drop. After a month or two, however, when Persian lime growers begin to export, prices for Persian limes move up and remain higher until April or May when those exports of Persian limes stop and both crops are again competing for the fresh domestic market. Key limes were sold during the first two weeks in October 1999, at 3.00 pesos/Kg (US$0.31/Kg) at the wholesale market, while Persian limes were at 2.00 pesos/Kg (US$0.23/Kg). Retail prices for Key limes at the large supermarkets were during October 8.90 pesos/Kg (US$0.91/Kg) compared with 4.50 pesos/Kg (US$0.45/Kg) during 1998, while Persian limes were selling at 5.90 pesos/Kg (US$0.60/Kg) compared to 3.00 pesos/Kg (US$0.30/Kg) during 1998. Higher prices are a result of lower supplies and transportation problems. Key lime is sold in the wholesale market in18-20/Kg boxes when it comes from Michoacan, Colima or Oaxaca. When limes come from Guerrero they are sold in 20-22/Kg bags. Persian limes are sold in the wholesale market in 50-100/Kg bags.

TRADE

Persian and Key lime exports for MY 1999 are forecast at 200,000 MT. Exports could be slightly higher depending on the damages to the quality of Persian limes because of the bad weather in Veracruz. The current international price, however, is lower compared to1998 prices, and that could lower the export expectations. Exports estimates for MY 1998 have been revised upward due to a larger production than estimated and better international prices. According to producers, Persian limes from Mexico supply about 40 percent of the U.S. and Canadian markets. However, lime producers are expanding new markets in Japan and Europe (6%). Lime exports for MY 1997 have been revised upward based on recent official data. Lime imports for MY 1999 are forecast at 1,000 MT. Lime imports are not expected to increase dramatically due to higher international prices and enough domestic supply. Import estimates for MY 1997 and MY 1998 have been revised downward based on recent Mexican official data.

Mexico's tariff rate on imported limes from the United States is zero under the NAFTA. The United States' tariff for 1999 on Key limes is US$0.88/Kg and for Persian limes is zero. The phase-out of this relatively small tariff is not expected to substantially increase lime imports to the United States in the short term. Mexican exports depend on U.S.

demand and price.

Note: The official statistics in Mexico do not cover lemon production because there is no commercial production. The industry reports that there are lemon areas with production exclusively to supply the needs of a multinational soft drink company. Area planted is in relation to the company's needs. Lemons are processed and the lemon oil and lemon juice are exported to the U.S.

FRESH TANGERINES

PRODUCTION

Tangerine production is forecast at 250,000 MT for MY 1999, a 3.8 percent under MY 1998 production of 260,000 MT. Tangerine production is again low because of the dry weather problems that affected northern Mexico during the first semester of 1999, and the heavy rains and floods in Veracruz during October. Irrigated tangerines in Nuevo Leon had less tree stress than other non-irrigated areas like Veracruz or San Luis Potosi in the first semester on 1999. During the floods, however, there was fruit drop, mainly in the Alamo region due to excessive moisture. The tangerine production estimate for MY 1998 has been revised upwards based on newly available information, but still reflecting the dry weather conditions that affected the producing states during 1998. Production for MY 1997 has been revised upward based on final official information. According to growers, the MY 1999 forecast for tangerines destined for processing is 24,000 MT. Tangerine's juice is mostly used as a mixture for other juices. The processing estimate for MY 1997 and 1998 has been revised upward based on available information.

According to growers in Veracruz, the main tangerine area, there has been almost no growth in area planted for MY 1999 because of the high costs of production and low market prices for tangerines. Area planted is forecast at 26,645 MT very close to area planted in MY 1998. But, there was some growth in area planted since 1996, mainly in Veracruz. According to growers, area increased at the expense of some orange and lime trees, because better revenues were expected from tangerines than oranges. Also, the trizteza virus in oranges provided an incentive for some producers to switch some area to tangerines. This situation, however, goes back and forth, depending on market prices for the different citrus products. Strong competition from other citrus trees are preventing now large expansions of the tangerine planted area. Area planted and harvested for MY 1997 and MY 1998 has been revised upward based on official information.

The cost of production and basic input costs for tangerines are similar or slightly less than those for oranges. (See Production Oranges). Higher input prices, however, have resulted in reduced input utilization and cultural practices. So, for MY 1999, some growers have reduced the cost of production in Veracruz from approximately 5,000 pesos/Ha (US$515.46/Ha) to 2,600 pesos/Ha (US$268/Ha).

The main tangerine varieties grown in Mexico are: Dancy, Monica, King, Mandarin, Nova, Fairchild, Orlando, and Murcott. The main producing states are Veracruz with a 70 percent, Nuevo Leon with 15 percent, and San Luis Potosi with 11 percent of total production.

Average tangerine yields in Mexico for MY 1999 are forecast at 10.3 MT/Ha because of the dry weather and heavy rains that reduced yields in the producing areas in 1999. The average yield estimates for MY 1998 are also low, at 10.7 MT/Ha as a result of the dry weather that affected Mexico in 1998. Yields vary depending on production and weather conditions from 9 MT/Ha to 35 MT/Ha. Grower prices at the farm gate are currently very good because of a lower tangerine supply. Prices range from 800 to 1,000 pesos/MT (US$82.47 to $103.10/MT) and could go higher.

CONSUMPTION

Mexican tangerine consumption is forecast to remain low for MY 1999 at 225,000 MT due to expected lower supplies and higher prices. Consumption estimates for MY 1998 have been revised upward based on available information, but still reflecting lower supplies compared to MY 1997. Domestic consumption for MY 1997 has been revised upward based on newly available information. Domestic consumers prefer fresh tangerines and fresh tangerine juice to any other type of processed tangerine product. Producers indicate that about 10 percent of fresh tangerines go for processing, but this also depends on the international market. During October, tangerines at the wholesale market were sold at 3.14 pesos/Kg (US$0.32/Kg), compared to 1998 prices of 2.30 (US$0.24/Kg). The retail market sold tangerines in October 1999 at an average of 5.00 pesos/Kg to 7.00 pesos/Kg (US$0.51 to $0.72/Kg), compared to 1998 prices of 5.00 pesos/Kg (US$0.53/Kg). Tangerines are sold in the wholesale market in 28-35/Kg boxes.

TRADE

Tangerine exports have been regularly about 3,500 to 4,000 MT, however, due to the dry weather and further heavy rains that affected tangerine production, exports are forecast at 1,000 MT for MY 1999. Tangerine export estimates for MY 1998 also have been revised downward because of low supplies. According to growers, exports had not been increasing because of importing countries' phytosanitary concerns and methyl bromide treatment that damaged the fruit for export purposes. Mexico, however, can now have access to other markets because the certification of hot forced air chamber in Montemorelos, Nuevo Leon, has been approved. This is an option to eliminate the use of methyl bromide (See Oranges, Trade). The United States is by far the largest importer of Mexican tangerines. Mexico's tariff rate on imported tangerines from the United States is zero under the NAFTA. The United States' current tariff rate on tangerines is US$0.88 /Kg for tangerines entering between October 1 and April 30. For tangerines entering from May 1 to September 30, the duty is now zero.

FRESH GRAPEFRUIT

PRODUCTION

Grapefruit production for MY 1999 is forecast at 160,000 MT, a 3 percent under MY 1998 estimates. This lower production is a result of the dry weather that damaged grapefruit flowering during the first semester of 1999, and floods and heavy rains in October 1999. (See Orange Production Section). Due to the fact, however, that most of the grapefruit from Nuevo Leon is irrigated, the production there is expected to be better. In Veracruz, on the other hand, the effects of the dry weather and the heavy rains in production areas like Gutierrez Zamora and Papantla will decrease overall production. Grapefruit groves in Michoacan were not affected by the same drastic weather conditions, but the groves are still very new and so production is lower. Grapefruit production estimates for MY 1998 have been revised

downward because of the dry weather conditions that prevailed at the producing areas during 1998. Data for MY 1997 production has been revised downward based on final official information.

Grapefruit planted area had remained almost constant up to 1997. Area planted in Veracruz and Nuevo Leon, which are two main important producer states, has increased very little because of the high cost of production and a low domestic demand. New planted areas in central Veracruz have been off-set by abandoned areas in other parts of the same state. Most of the new planted areas are geared towards the European export market. According to the industry, however, grapefruit plantings have been increasing in the state of Michoacan because of better weather conditions and a much lower cost of production. These areas are also geared towards to export market.

Therefore, planted area for grapefruit is forecast at 12,500 hectares for MY 1999 an increase of 4 percent over MY 1998 planted area. Estimated planted area for MY1998 has been revised upward and harvested area has been revised downward from previous estimates based on available information. Area estimates for MY 1997 were updated based on final official information. There are two types of grapefruit planted in Mexico: the red table varieties produced in Tabasco, Michoacan, Nuevo Leon and Veracruz for export to the United States and Europe as fresh fruit; and the white fleshed varieties produced in Tamaulipas and Veracruz for juice production or for peeled slices. According to growers, planting of red varieties are increasing because of the export market preferences. The state of Nuevo Leon could also see an increase in grapefruit area, because the certification of hot forced air chamber in Montemorelos has been approved as an alternative quarantine treatment. This increase however, is expected to be a gradual one. According to growers, the MY 1999 forecast for grapefruit destined to processing is 24,000 MT. Grapefruit is used for peeled slices or juice production. The processing estimate for MY 1997 and 1998 has been revised downward based on available information.

Overall average yields for MY 1999 are forecast at 16.5 MT/Ha, lower than MY 1998 yields because of bad weather. Average yields for MY 1998 are estimated at 17 MT/Ha because of the dry weather. An overall normal yield for grapefruit is approximately of 23 MT/Ha. Veracruz accounts for about 70 percent of Mexican grapefruit production and has the highest yield in the country with 20 to 25 MT/Ha. Nuevo Leon follows with yields of 18 to 20 MT/Ha. Michoacan has lower yields -- between 10 to 13 MT/Ha. In other states, yields vary from 10 to 15 MT/Ha. Grower prices in Veracruz began in October 1999 at approximately 2,000 pesos/MT (US$206.18/MT), but fell in November to 1,500 pesos/MT (US$154.64/MT) for the red varieties. Although growers were expecting higher prices for grapefruit due the heavy rains, there was not enough demand and prices were similar to those of 1998. Since Michoacan has developed areas with red varieties that can be harvested in June/July, grower prices were higher at 3,000 pesos/Kg (US$0.31/Kg) or 33 percent higher than prices in Veracruz.

CONSUMPTION

Grapefruit consumption is forecast to be low again at 134,000 MT for MY 1999 due to expected lower supplies. Prices for November 1999 at the wholesale market in Mexico City were approximately at 2.20 pesos/Kg (US$0.22/Kg) compared to 2.50 pesos/Kg (US$0.24/Kg) in 1998. Retail prices were on average 3.50 pesos/Kg (US$0.36/Kg). Growers indicate that there is not a premium on quality, as consumers are more interested in lower prices. This trend also affects grapefruit consumption versus other more accessible fruit like oranges. Since Michoacan can harvest earlier than Veracruz, producers can command higher prices in the domestic market. Estimated consumption for MY 1997 and 1998 has been revised downward based on more recent available information.

TRADE

Grapefruit exports for MY 1999 are forecast to be similar to MY 1998, however, depending on the damage because of the heavy rains in Veracruz, exports could be slightly lower. Although grapefruit exports are geared to the European and Japanese markets, exports are still small. Export estimates for MY 1997 and MY 1998 have been revised upward based on official data. According to sources, most of the imported grapefruit from the U.S. is further processed to re-export to the U.S. and European markets. The following is the NAFTA tariff rate schedule for 1999.

NAFTA GRAPEFRUIT TARIFF SCHEDULE FOR 1999	
SEASON	**MEXICAN TARIFF**
August 1 to September 30	0.00 US cents/Kg
October 1 to December 31	1.16 US cents/Kg
January 1 to July 31	1.16 US cents/Kg

NAFTA GRAPEFRUIT TARIFF SCHEDULE FOR 1999	
SEASON	**U.S. TARIFF**
August 1 to September 30	0.00 US cents/Kg
October 1 to October 31	0.70 US cents/Kg
November 1 to July 31	1.1 US cents/Kg

With the preferential tariffs under NAFTA and the new quarantine system of hot forced air chamber, export opportunities for Mexican grapefruit in the U.S. might improve. Any substantial increase, however, will depend upon advances in the phytosanitary area, and technological practices for grapefruit. While likely to expand, U.S. grapefruit exports to Mexico will still be relatively small.

FROZEN CONCENTRATE ORANGE JUICE

PRODUCTION

Frozen concentrate orange juice (FCOJ) production for MY 2000 (January-December) is forecast at 36,000 MT, slightly lower than MY 1999 production because of expected lower availability of fruit for processing. Juice production also depends heavily on the international price of FCOJ. The international price for FCOJ future contracts for 2000 deliveries are at approximately US$0.87 per pound, a low price which represents a smaller margin for the industry to

buy fruit. FCOJ production estimates for MY 1999 have been revised downward based on the most recent available information. The industry indicated there were less oranges available in the market and the international price of FCOJ was also low, at an average of US$0.85 per pound, resulting in a lower FCOJ production compared to MY 1998. FCOJ production for MY 1998 has been revised upward based on recent industry information.

The general uncertainty of the FCOJ industry has not changed from previous years. Unless FCOJ export prices are good, enabling processors to increase the price paid to fruit producers, it is unlikely that juice concentrate production will increase dramatically. Due to the financial problems of the processing industry, there has been a concentration of ownership.

Due to floods and heavy rain in the producing areas of Veracruz during October 1999, the industry began buying fruit to help some of their own contractors. It seems, however, that the FOB plant price of 250 pesos/MT (US$25.77/MT) that was being offered was considered low by the growers. It is still uncertain at what prices the industry will have to buy oranges, but growers are expecting a range of $450 - $550 pesos/MT FOB plant (US$46.40 - $56.70/MT). Fresh market prices for oranges for processing may go as high as 600 to 700 pesos/MT (US$61.85 - $72.16/MT) by the end of the season.

CONSUMPTION

The majority of Mexican consumers prefer and demand fresh squeezed juice instead of processed orange juice. Thus, considering a lower FCOJ production, the consumption forecast for MY 2000 is expected to remain flat at 3,150 MT. The consumption estimate for MY 1999 has been revised upward based on recent industry information and MY 1998 estimate has been revised downward because of higher volumes of FCOJ exported.

In general, domestic consumption has increased at a very low rate because of the availability of fresh oranges in the domestic market. Therefore, FCOJ consumption is not expected to increase dramatically. The industry, however, indicates that there is a market niche in the hotel and restaurant industry. Most of the orange juice produced in Mexico goes to the export market. According to processors, there are usually about 3,000 MT carryover of FCOJ from one year to the other. During MY 1998, the ending stocks, however, were larger than usual because of the descending international price for FCOJ. Therefore, stocks for MY 1999 began at 8,000 MT.

TRADE

Exports of FCOJ for MY 2000 are forecast to decrease to approximately to 32,851 MT compared to MY 1999 exports due to lower than normal production a low international price. The United States is the main market for Mexican FCOJ, with Japan and European countries also becoming important markets for this product. The export estimates for MY 1999 have been revised upward due to a larger carry over of FCOJ from MY 1998. The export estimates for MY 1998 also have been revised upward due to a higher FCOJ production. Any FCOJ export growth will be limited to the needs of Florida's industry to mix their juice with a higher sugar-ratio and more color Mexican juice. Also, export increases will depend on promotion in other markets besides the U.S. FCOJ imports are almost negligible compared to domestic production. Having enough domestic supply for FCOJ, and having an almost flat consumption, larger imports are not likely for the time being.

Under NAFTA, Mexico has access to the United States market for 40 million gallons of FCOJ (single strength

equivalent) at one-half of the Most Favored Nation (MFN) tariff rate. Any FCOJ imports above the quota will enter the United States at the MFN rate. This quota will be phased-out over 15 years. Exporters of FCOJ need a certificate issued by the Mexican government to be able to export to the U.S. under the NAFTA provisions. The Mexican government allocates the quota among most of the producing companies to give them an equal opportunity to share from the benefits of NAFTA. When a company can not cover the designated quota, the Mexican government reallocates the uncovered share to other companies.